

INTEGRATED COMMUNICATION IN THE CLIENT-BANK RELATIONSHIP

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Abstract: *In a time of globalization and ongoing evolution towards the new economy, the Romanian banking sector is obligated to adapt to these changing conditions as well as to impose its own new rules. An important aspect of this evolution is the management of the communication process - as handling information in a client friendly manner plays a vital role in the marketing of banking services. The present paper focuses on the way banks communicate to retail clients information regarding the cost of a loan. From the client perspective inadequate information means dissatisfaction and a shift to another bank. Thus, communication becomes a defining factor of the client-bank relationship.*

Keywords: relationship marketing; banking; communication; customer relationship management

1. Introduction

The relationship marketing perspective is based on the concept of ongoing, mutually beneficial partnerships with customers. On the one hand, customers gain a feeling of security and control, a sense of trust and minimized purchasing risks (Grönroos, 2004), on the other hand, companies are able to reduce transaction costs and time effort and also increase sales numbers.

The increased exigency of customers and the intensified competition worldwide have imposed relationship marketing an important business market strategy. This paper focuses on the implementation of relationship marketing in the area of banking services, as they represent a fertile ground in this context. The banking sector is characterised by a high up-selling and cross-selling potential and involves a continuous delivery of service.

As good communication is the engine which drives relationships, the highlight falls on managing communication in an integrated manner throughout the company.

2. The problematic of communication

The Romania service and banking sector

Since the 1980s the fastest growing segment of industrialized states economy has been the one of services, including both service products that are intangible, or at least substantially so, and services accompanying the sale of a tangible product. With an average contribution over 64% to the GDP, the service sector is most obviously of

major importance to every economy. Furthermore, the relative share of employment among agriculture, industry and services is changing to the benefit of the last. With a 54% contribution to the GDP the Romanian services sector lags behind. Nevertheless, the outlook is for continued growth driven by domestic demand. It is exactly that evolution perspective which makes a marketing approach scientifically interesting.

The Romanian banking market has suffered major transformations brought up by the change in the political regime 1989 and the recurrence to the classical conception of a two level structure – National Bank and commercial banks. Privatisation, restructuring, economic crises, new legislation, inflation and the recent denomination of the national currency are the key elements of the evolution within the past 17 years.

The banking assets in percent of the GDP reached in 2004 only a level of 39,1% – lower even than Lithuania's 46% smallest level in the region and seven times lower than the average level in the Euro Area. Yet, for the next years an accelerated growth is being expected. Among the signs of movement in this direction are the ones given by the annual credit growth in private-sector which has ranged between 30 to 50% in real terms over the past five years.

This major evolution perspective of the Romanian banking market is at the moment being used by the banks for attracting new clients and enlarging the client database. Still, the level of concentration being already comparable with the one in the states of the Euro Area (60%), the access to clients from the perspective of small and medium size banks is difficult. In the future the trend of market saturation will gain ground and marketing strategies and programs will have to focus on establishing and cultivating a profitable and long time relationship with clients.

The problematic of communication on the banking market

Despite their claim of being customer focused, the current level of service performance in Romanian banks is far from being at its best. In their attempt to attract as many clients as possible, banks often tend to exploit customers rather than to provide a win-win situation. The content of their advertising spots, posters or flyers often communicates unclear information or insufficient details about the conditions of contracting a credit, more specific: the real cost of loan (Ghișeul Bancar, 11 mai 2006). In addition, even the information given by the front office personnel is laconic, supplementary costs being willingly omitted (Capital, 17 aprilie 2004).

According to the Law Nr. 289 from the 24th of June 2004, the total cost of a consumption credit is represented for the consumer by all costs that must be paid for obtaining a credit, including interest and other expenditures. The annual effective interest (dobânda anuală efectivă – DAE) is given by the total cost of the credit calculated as an annual percentage of the credit value. However, DAE is variable indicator and depends on credit sum and time length. The law also contains exceptions which are left aside from the total cost calculation, allowing banks to manoeuvre around them: for example expenditures for funds transfer, operating costs of the account needed for the return payments. Although, banks should give an exact

indication regarding to the DAE level, they choose to show only the minimum DAE and define for themselves different exception costs.

To understand the problematic, several factors must be taken into consideration:

- the rapid growth pace in private-sector credit, driven by an increased demand;
- the intensified competition on the market as new, foreign banks try to gain ground;
- the impulse of insuring a good position on the market before the term of January 2007, when Romania is planned to accede to the EU, and thus
- the effort to establish a vast client data base.

These factors, combined with a poorly differentiated offer, drive banks on a battle for clients. Rising the number of transactions, not establishing relationships, is the guideline for marketing activity at the moment.

3. Integrated communication

Customer response to service failure

Within the last two years televisions, magazines and newspapers have repeatedly reported about the occurrence of this problem. Clients face at the first payments a surprise because the real cost of the loan and the level of the payment is much higher than expected. Although stipulated in the contract, they have not been informed to the full extent of all the costs.

Banks fail to meet expectations for two reasons: they set expectations to high or the performed services are defective (Duncan, 2002). In the present case information given as details about offered service products set expectations to high: clients expect smaller costs than they are being asked to pay. If the second reason is also the cause of an expectation gap, the negative effect amplifies. Therefore, marketing communication should create messages that make realistic promises which set expectations the bank can meet.

The distinctive service characteristics as “real-time performance, customer involvement, and people as part of the product” (Lovelock, et al, 2004) increase the chance of service failure. Adding the created expectation gap means almost certain customer dissatisfaction. The response categories are divided into three:

- take a form of legal action: complain to the service firm, to a third party or take legal action;
- take a form of private action: switch provider, negative word of mouth;
- no action.

Conducted research shows that on average only 5 to 10% of customers dissatisfied with a service actually complain to the firm (Lovelock, et al, 2004). On the other hand, unhappy customers tend to tell at least 10 other people about their problem (Duncan,

2002). This negative word of mouth can be very damaging and outweigh the impact of a self-promotion. With other words, how well a bank handles complaints and resolves problems may determine whether it builds customer loyalty, hence a long term relationships, or it is accelerating losing customers to the competitors.

Integrated marketing communication as part of the customer relationship management

One of the most important reasons for using marketing communication is to build trust in the bank and its brand. Trust in the bank's ability to perform quality services and trust in the bank's solvency leads to loyalty and long term relationships. As communication is the engine which drives relationships, managing communication in an integrated manner becomes a priority. The bank must be able to send out the same message to the customers regardless of whether it is from an advertisement, a front office clerk or a newspaper insert.

Taking into consideration the above mentioned and the fact of rapid sector development, the importance of relationship marketing in the banking area becomes obvious. In comparison to transactional marketing, relationship marketing concentrates rather on cooperation, than on conflict. This permanent relational exchange is exactly what creates value for both parties and ensures customers' satisfaction. Customer Relationship Management – CRM takes relationship marketing a step further by integrating customer needs in every aspect of the bank's activity and its interaction with suppliers, distributors and other strategic partners. According to the definition of the German Direct-Marketing Association, "CRM integrates and optimizes at the level of the entire company the whole processes regarding clients in the marketing area, distribution, client service and research and development." As a result, CRM is best described as a company wide strategy, comprising all its departments.

By the means of integrated coordination of clients, of personnel and of processes within the company and by the use of technology, CRM optimizes the interaction bank-client developed through all communication and distribution channels. As a general strategy, CRM exceeds the area of client data processing. It represents a company philosophy, able to ensure central client orientation and passing over the limits of departments and interfaces between diverse processes.

4. Conclusion

Banking services are usually contractually binding and imply continuous delivery over a relative long period of time. Regarding also the fact that the client can be identified and monitored and also the high cross-selling and up-selling potential, banks may accompany clients with different service products during their entire life. Thus, the banking sector represents an ideal ground for CRM implementation.

CRM implies as a first step the selection of the relevant clients segment. This selection of long term profitable clients allows, on the basis of recorded data and information, an individualised interaction with them. Key elements are the dynamic approach and the planned communication process supporting the enhancement of relationships (Grönroos, 2004). Complaint management appears as a loop closing factor – relationships can develop in the desired direction if conflicts are solved accordingly.

Futures studies should concentrate on the aspect of implementing CRM into practice and documenting its performance.

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